



*United States Attorney  
Southern District of New York*

FOR IMMEDIATE RELEASE  
AUGUST 30, 2005

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**PRESCRIPTION CITY INC. AND ITS FORMER OWNER AND CHIEF  
PHARMACIST TO PAY OVER \$500,000 TO SETTLE FEDERAL CIVIL  
CHARGES FOR PRESCRIPTION DRUG BILLING**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that PAUL FRANK, the former owner and chief pharmacist of a Spring Valley, New York pharmacy called PRESCRIPTION CITY INC. ("PRESCRIPTION CITY"), and PRESCRIPTION CITY have agreed to pay \$564,000 to resolve civil charges that FRANK defrauded the Government in a scheme to defraud the New York State Medicaid Program and the AIDS Drug Assistance Program ("ADAP") through a variety of fraudulent billing practices in connection with prescription drugs. The allegations of fraud were first brought to the attention of the Government by a whistleblower who filed a qui tam complaint under the False Claims Act.

United States District Court Judge P. KEVIN CASTEL approved the settlement today in Manhattan federal court.

The Complaint filed by the United States alleges that a substantial portion of the medications supplied to patients by PRESCRIPTION CITY included expensive cancer and HIV/AIDS drugs.

The Complaint further alleges that, under applicable Medicaid regulations, pharmacists and pharmacies can bill only for prescription drugs that are actually dispensed (i.e., filled, billed and delivered). The Complaint describes that PRESCRIPTION CITY regularly accepted reimbursement for prescription drugs from Medicaid and ADAP. However, as the Complaint alleges, FRANK participated in a multi-faceted scheme to defraud Medicaid and ADAP by filing false and fraudulent claims for reimbursement for the cost of prescription drugs. More specifically, the Complaint details that FRANK defrauded Medicaid and ADAP by submitting false claims for prescription drugs that were not actually dispensed; submitting false claims for plan-covered drugs when, in fact, non-covered drugs were dispensed; submitting false claims for brand name prescription drugs when, in fact, less expensive generic drugs were dispensed; submitting false claims seeking reimbursement where "free" sample drugs were dispensed; and failing to reverse claims for prescription drugs that were returned unused to the pharmacy.

As a result of a related criminal prosecution, FRANK was sentenced on August 12, 2005 to 41 months in prison and ordered to forfeit \$750,000 to the Government for his felony conspiracy conviction stemming from his scheme to defraud Medicaid and private insurers. The total payments resulting from FRANK's criminal conviction and civil settlement are \$1,123,500.

Mr. KELLEY praised the efforts of the Federal Bureau of Investigation and the Office of the Inspector General of the Department of Health and Human Services.

Assistant United States Attorney RICHARD E. ROSBERGER is in charge of the civil prosecution.

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